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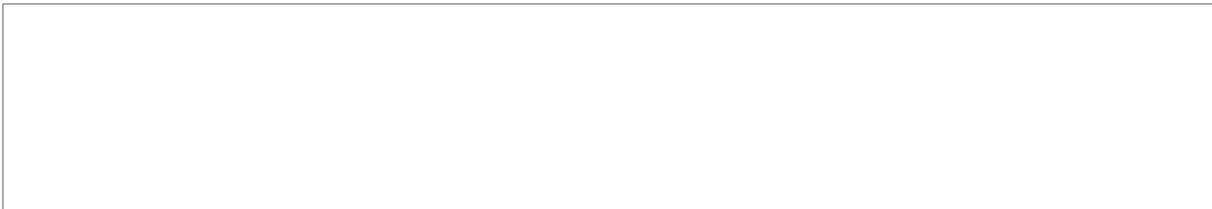
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FAR EAST

1. South Korean populace reported receptive to gestures from north:

[REDACTED] North Korean offers to reopen mail channels and lift travel restrictions between North and South Korea have been favorably received by the South Korean populace, according to the Far East Command. Pyongyang propaganda and peace appeals mailed to South Korean politicians and army personnel, however, have not been effective, since most of them have been intercepted by South Korean law enforcement agencies.

The Far East Command comments that complacency is noticeable among the South Korean population and that real estate values in the areas close to the 38th parallel are up. The people appear unconcerned over the possibility of a new North Korean military invasion and seem primarily interested in small-scale reconstruction programs.

Comment: It has long been suspected that the South Korean people do not share the government's adamant opposition to all co-operation with the north.

Pyongyang has repeatedly offered to trade industrial products--which it could not now actually deliver--for South Korean agricultural produce, a proposal much more in keeping with prevailing South Korean sentiments than President Rhee's periodic threats to resume the fighting. Such offers may find increasing receptivity in the south if North Korea's economic recovery enables Pyongyang to make good on its trade offers.

NEAR EAST - AFRICA

2. Ambassador Byroade appraises Egyptian regime:

[REDACTED] Ambassador Byroade has concluded, following a long conversation with the Egyptian prime minister, that Nasr is "now very much in a box and he knows

it but cannot see his way out in the near future." On the question of defense, Nasr reiterated "almost in sadness" that Egypt is now too committed to the proposed Egyptian-Syrian-Saudi Arabian pact to change.

The American embassy sees a decline in the prestige of the Revolutionary Command Council as a result of the general impression in Egypt that its new pact has fallen short of the announced objectives and that the regime is unsure of what it should do next. The stability of the regime, however, has not yet been greatly affected.

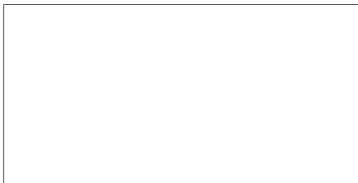
Nasr's personal position with other members of the Revolutionary Command Council and the "Free Officers," primary army support of the regime, has apparently been enhanced by his public stand against joining Western plans for Middle East defense, since it reflects the majority opinion of these groups.

The embassy believes that Nasr's position could eventually be undermined, however, as a result of the frustrations among the "Free Officers" and the army generally arising from Egypt's inability to strike back at Israel following the 28 February raid on Gaza. The embassy considers that this is the issue which opposition elements can use with greatest effect against Nasr.

Comment: Nasr, personally anxious to co-operate with the West, is likely to be forced to adopt an increasingly anti-Western position on international issues in order to retain the support of his nationalist supporters in the army.

WESTERN EUROPE

3. Adenauer wants occupation ended in mid-April:



Chancellor Adenauer told Ambassador Conant on 21 March that he strongly desires the Allies to end the occupation without waiting for final ratification

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of West Germany's entrance into NATO. He fears that the Netherlands will not ratify until May.

Adenauer would like the ceremony ending the occupation to take place in Bonn on 15 April. He is confident that last-minute constitutional challenges to the Paris accords in West Germany will cause no difficulty. He believes President Heuss will sign the accords shortly and deposit them as soon as French and American ratification is complete.

Comment: Among other reasons, Adenauer wants the occupation to end by mid-April in order to show some foreign policy accomplishment prior to the state elections in Lower Saxony on 24 April.

Termination of the occupation will occur whenever the three occupying powers and the Bonn government deposit instruments acknowledging ratification of the Paris accords. At present French ratification appears virtually assured.

In Bonn, the constitutional court is expected to declare on 28 March that the Socialist petition against the Saar treaty is invalid.

4. Scelba government not implementing vigorous anti-Communist program:



The American embassy in Rome, in commenting on the progress of the anti-Communist program announced by the Scelba government last December, states that the program is not a vigorous one by American standards.

Since the Communists and the allied Nenni Socialist Party enjoy support from one third of the electorate, the government is not attempting a crackdown on the Communist Party as a whole. Instead it is confining itself to attacks on legal grounds against specific individuals, with little publicity and with no attention drawn to any broad anti-Communist program as such.

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The embassy points out that the test of the program's effectiveness will be the Sicilian regional elections this coming June and the local, and possibly national, elections in the spring of 1956.

Comment: The outcome of the 1956 elections will probably depend more on the progress of the government's general reform program than on the Communist issue as such. To date the social reforms have not been of such a nature as to cut the ground from under the Communists at the national elections.

LATE ITEM

5. Molotov implies Austrian treaty possible after ratification of Paris accords:

[redacted] Soviet foreign minister Molotov told Austrian ambassador Bischoff on 14 March that more guarantees against an Anschluss than those already included in the draft

Austrian peace treaty would be required only if the Paris accords are ratified and West Germany is rearmed. Molotov remained vague on the nature of such additional guarantees and said that both the USSR and Austria must think over the question of whether it would be better to have guarantees by the big powers or by Austria's neighbors. Molotov also said there seemed to be no disagreement with an Austrian proposal for separate discussion of the treaty by the four powers and Austria.

An Austrian Foreign Ministry official, [redacted]

[redacted] said it was clear the Soviet move was no mere propaganda maneuver to impede the Paris accords and that Austria had to keep the talks going. He emphatically rejected the idea that Austria would accept guarantees by its neighbors.

Comment: Molotov's persistent vagueness about the type of "guarantees" the USSR would accept indicates that the Soviet Union is not yet ready to conclude an Austrian

treaty. Communist propaganda continues to insist that any Austrian settlement must take place before final action on the Paris accords, but Molotov is clearly encouraging Austrian hopes for a treaty after ratification. Moscow may feel that by adopting a flexible attitude, it can use the Austrian issue to hinder implementation of West German rearmament. It may even fear there is a danger of closer Austrian co-operation with the West after ratification which must be averted by keeping open the door to treaty negotiations.

THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington up to 1100 hours 22 March 1955.

1. No significant Chinese Communist military activity was observed in the area on 21 March. Foggy weather with drizzles, probably prevented planned photo reconnaissance of Swatow, Changting and Nantai airfields. [REDACTED]

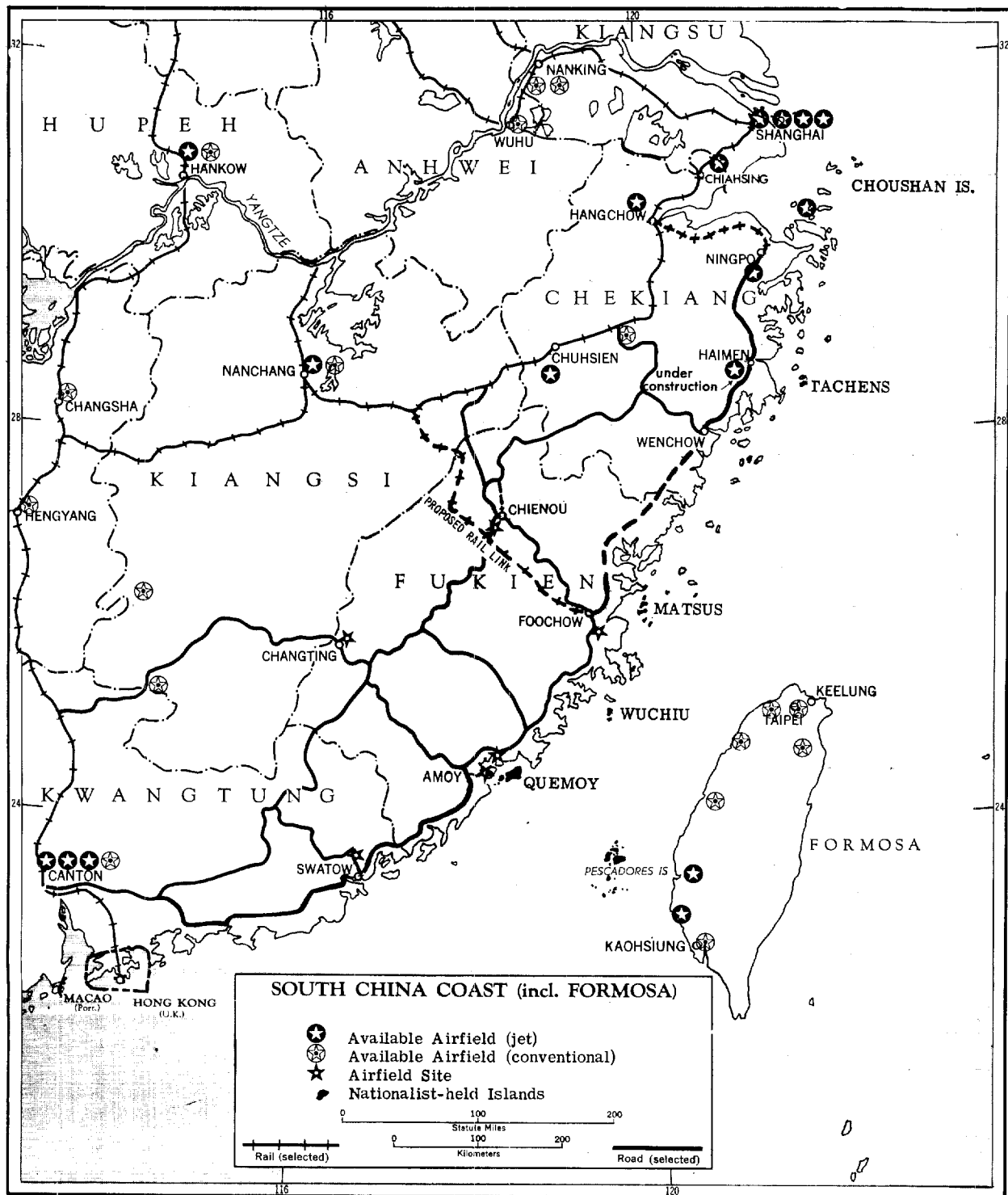
2. [REDACTED]

3. Soviet advisors may now be aiding the Chinese Communist Air Force in the Canton area. [REDACTED]

[REDACTED] While the presence of Soviet air advisors in Communist China certainly is not unusual, these [REDACTED] may indicate Chinese Communist training in a new type aircraft, possibly the MIG-17 or an advanced version of the MIG-15. The three CCAF fighter regiments in the Canton area are equipped with MIG-15's.

A fighter build-up at Canton would not increase the threat to the offshore islands or Formosa as they are at or beyond the jet fighter extreme range. With improvements of fields in the Fukien area, however, Canton-based jet fighters could stage through the area for attacks on Nationalist-held areas. [REDACTED]

4. Embassy Helsinki reports that the owner of the Finnish tanker Aruba, which is now near the Nicobar Islands, has given assurances that she will return her cargo of jet fuel to Constanza, Rumania. [REDACTED]



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